CALGARY POWER LTD.
ANNUAL REPORT 1970

1970 HIGHLIGHTS

	1970	1969
Load in Kilowatt-Hours (millions)	**5,993**	5,219
Gross Revenue from Operations	**$ 56,848,000**	$ 51,053,000
Operating Expenses	**$ 18,247,000**	$ 15,167,000
Taxes, Income and Other	**$ 10,027,000**	$ 9,972,000
Net Income	**$ 11,686,000**	$ 10,577,000
Earnings Per Common Share	**$ 1.97**	$ 1.76
Dividends Declared Per Common Share	**$ .85**	$ .80
Capital Expenditures	**$ 49,945,000**	$ 40,867,000
Property Account	**$328,299,000**	$289,254,000
Total Customers, Direct and Indirect	**277,000**	275,000

The Annual Meeting of the Shareholders will be held in the lower floor Auditorium at the Head Office building, 110 - 12th Ave. S.W., Calgary, Alberta, on Friday, April 30, 1971 at 11 a.m. Notice of Meeting and proxy will be mailed to each shareholder on or about March 31, 1971.

CALGARY POWER

DIRECTORS

E. R. ALEXANDER
R. A. BROWN, JR.
E. J. CHAMBERS, Q.C.
J. B. CROSS
A. S. GORDON
A. W. HOWARD
J. H. McLAUGHLIN
DENIS STAIRS, O.B.E., M.C.
G. H. THOMPSON, M.C.

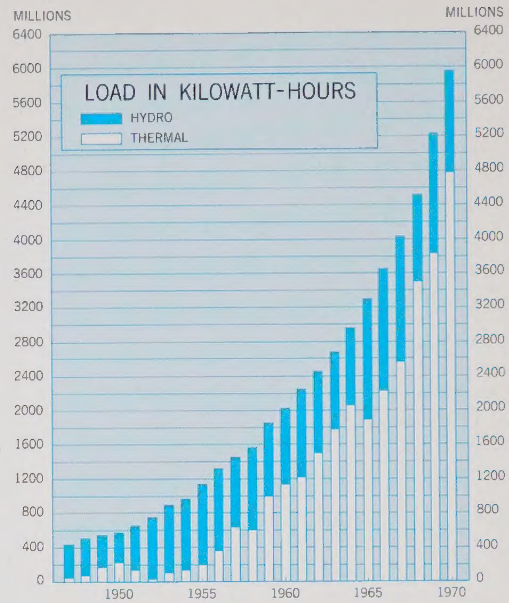
OFFICERS

G. H. THOMPSON, *Chairman of the Board*
A. W. HOWARD, *President*
E. J. CHAMBERS, Q.C., *Vice-President and General Counsel*
M. M. WILLIAMS, *Executive Vice-President*
F. T. GALE, *Vice-President*
W. A. SHARMAN, *Secretary-Treasurer*
F. V. KAY, *Assistant Secretary-Treasurer*
G. L. GILKER, *Assistant Secretary*

COMPANY OFFICIALS

T. D. STANLEY, *Manager of Production*
W. R. DAVIS, *Director of Engineering & Supply*
E. J. MACLEOD, *Manager of Engineering*
R. B. CARRUTHERS, *Manager of Supply & Construction*
G. H. MILLIGAN, *Manager of Divisions*
E. W. SMITH, *Marketing Manager*
D. B. PORTER, *Director of Public Relations*
H. G. SCHAEFER, *Director of Finance*
J. A. BOURNE, *Controller & Chief Accountant*
M. J. HALPEN, *Director of Employee Relations*


Kananaskis - our second oldest plant, added to system in 1913.



1970 IN REVIEW

REPORT TO THE SHAREHOLDERS

Your Directors submit, herewith, their Annual Report for the year ended December 31, 1970, together with the audited financial statements consolidated with your Company's wholly-owned subsidiaries, excluding Farm Electric Services Ltd. The shares of Farm Electric Services Ltd. (a non-profit organization) are shown as an investment at their cost to the Company.

SIXTY YEARS OF GROWTH

Your Company is now in its sixtieth year as a producer and distributor of electricity in the Province of Alberta, having commenced operations in May, 1911. In that year the construction of the Horseshoe Falls Plant was completed, together with the first transmission line to the City of Calgary. Three years later the Kananaskis Plant and a second transmission line were also placed in service. The Company then supplied a portion of the City of Calgary's load requirements, the Village of Cochrane, and the Canada Cement Company at Calgary and Exshaw. The Company's net generating capability was 20,500 kilowatts, and its total investment in land, buildings, plant and equipment amounted to $5 million.

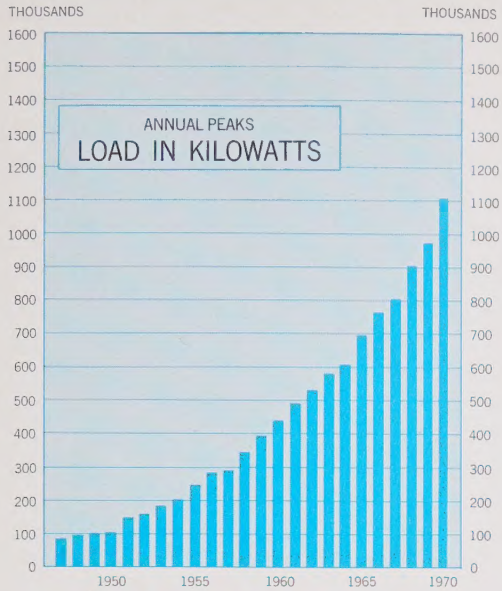
In contrast to those early days, the Company now supplies over 60% of Alberta's electric energy requirements and serves more than half the population of the Province, either directly or indirectly through wholesale contracts. Its net generating capability is 1,535,000 kilowatts and it serves a 75,000 square mile area over an extensive network of transmission and distribution lines totalling in all 16,958 miles. The property account at the close of 1970 totalled $419 million.

The development of the Company's operations to the present stage has been a long uphill struggle, during which many difficulties have been encountered and successfully overcome. This was particularly true of the depression in the 1930's and the World War II years. However, the rapid economic growth of the Province, which followed the discovery of large-scale oil deposits in the Leduc and Redwater oilfields shortly after the war, in turn resulted in a substantial increase in the requirements for electric power and energy and accelerated the development of the Company's power system. Since then, Alberta's economy has continued its buoyant growth. To keep abreast of this growth the Company has provided the necessary generating and transmission facilities to supply its customers' energy requirements, which in recent years have increased at a rate substantially above the national average. This trend is continuing.

EARNINGS

Net income in 1970 was $11.7 million, an increase of $1.1 million over net income reported for 1969. Earnings per common share were $1.97 in 1970 as compared to $1.76 in 1969, a gain of 12%.

During the year three dividends of 20¢ each and one of 25¢, a total of 85¢, were declared on each of the 5,250,000 common shares outstanding. The balance of $1.12 per share, amounting to $5.9 million, was retained for use in the business.



A segment of our rapidly growing energy load
The petro-chemical industry.

OPERATIONS

Gross revenue from operations in 1970 was $56.8 million, an increase of $5.8 million, or 11.3% above the revenue for 1969.

Consolidated operating expenses, depreciation, income tax and other taxes amounted to $39.2 million, up $4.5 million over the previous year. This increase was due in part to load growth experienced during the year and in part to the late commissioning of the first 286,000 kilowatt unit of the new Sundance Steam Electric Plant which necessitated the purchase of additional power from other sources and the use of more expensive fuel.

The Company continued to experience an unusually high rate of load growth throughout the year. Load supplied by the Company's power system during 1970 was 5,993 million kilowatt-hours, as compared to 5,219 million kilowatt-hours in 1969, an increase of 14.8%.

Kilowatt-hour sales to all categories of customers registered gains. Sales to wholesale customers increased 16.9%, sales to large industrial customers increased by 10.1% and to the oil and gas industries by 16.3%. Farm consumption was 6.1% higher than in 1969, while the energy requirements of residential, commercial and small industrial customers increased by 6.5% over the requirements of the preceding year.

CAPITAL PROGRAMME

Sundance Steam Electric Plant

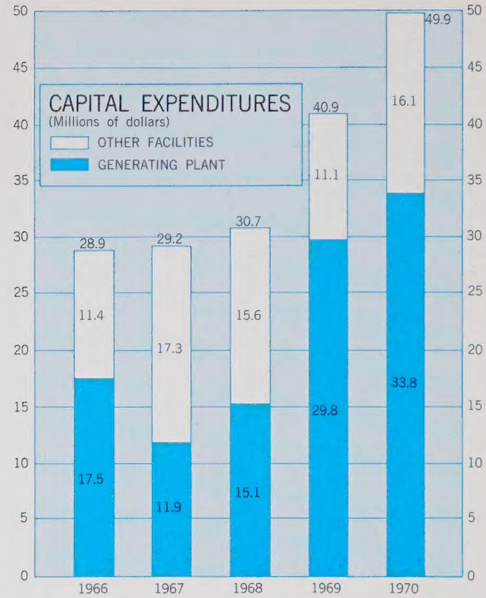
Construction of the Sundance Steam Electric Plant on the south side of Lake Wabamun was continued and the first 286,000 kilowatt generating unit went into service on the Company's system during November, 1970. With this unit in service, the Company's total net generating capability was increased to 1,535,000 kilowatts. To meet the continued rapid growth of load, a second unit of the same size is on order for commissioning during the winter of 1973-74. The fuel requirements of the Sundance Plant are being supplied from a new strip mining operation, known as the Highvale Mine, which the Company has developed in the immediate vicinity of the plant.

The major mining equipment procured for the initial mining operation at the Highvale Mine was delivered to the site and assembled and readied for service during the summer months. Some coal was mined and stockpiled during the latter part of October, with mining operations commencing on a regular basis throughout November. Your Company has made an application to the Department of National Revenue for a tax exemption on its coal mining operation at Highvale under the provisions of Section 83(5) of the Income Tax Act. The application requests tax exemption on the income from the mine for the three-year period commencing December 1, 1970. Since the circumstances are similar to those which existed in 1964 when an application was approved for the Whitewood Coal Mine at Wabamun, it is expected that the pending request will be approved.

The Environment

Your Company is well aware of the need for taking measures to minimize the effect of its operations on the environment. Thermal power stations in their present stage of development cannot be operated without some prejudicial effects and it has become a major problem to determine how supplies of power, adequate to meet the needs of the rapidly expanding

Whitewood Mine - 250 acres of low use land, strip-mined to remove underlying coal, subsequently graded, contoured and planted with alfalfa.



economy of Alberta, can be provided at the least possible cost, and with the least possible detriment to the environment. As an example, strip mining unavoidably results in unsightly disturbance to the land surface during the period when the underlying coal is being removed. At the Whitewood Mine the Company, in co-operation with the various government departments concerned, has already carried out successful restoration of about 250 acres of land surfaces and will follow similar procedures at its new Highvale Mine.

Bighorn Storage and Power Development

Work continued on the construction of the Bighorn Storage and Power Development on the North Saskatchewan River, some 80 miles upstream from the Town of Rocky Mountain House. Construction of this development was commenced in 1969 under the terms of an agreement with the Province of Alberta, and is scheduled for completion in the late fall of 1972. During 1970 the diversion tunnel was completed and the river diverted through the tunnel in October. The lining and concreting of the power tunnel was also completed. In addition, work was carried out on tailrace excavation, north abutment excavation and core section excavation for the main dam. The camp facilities were enlarged to prepare for increased construction staff. Due to sharp and unexpected rises in construction costs, some unfavourable site conditions, and the generally higher cost of money, project estimates have increased substantially.

Long-Term Planning

In the course of its long-term planning of the future growth of its power system, the Company has studied the feasibility of constructing additional thermal plants at various alternative locations throughout its service area. The Company is also continuing investigations of possible hydro-electric developments on the Slave and Athabasca Rivers. In addition to these investigations, the Company is giving serious study to the use of large gas turbines for peaking and standby purposes.

FINANCIAL

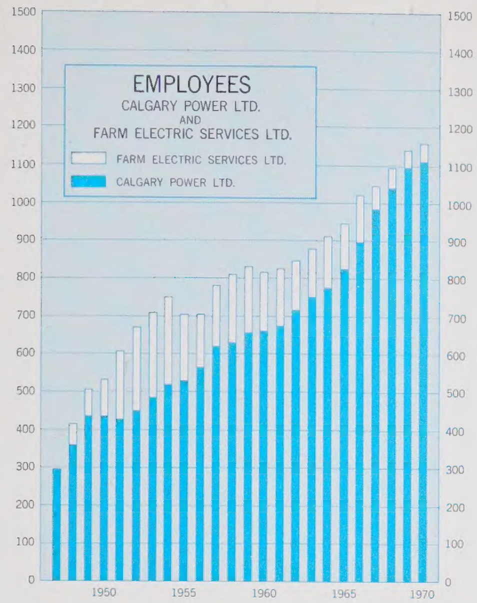
While there has been an appreciable improvement in the long-term bond market during recent months, interest rates were at very high levels throughout 1970. Consequently, the Company has looked to a number of alternative sources for the capital required to finance the growth of its power system.

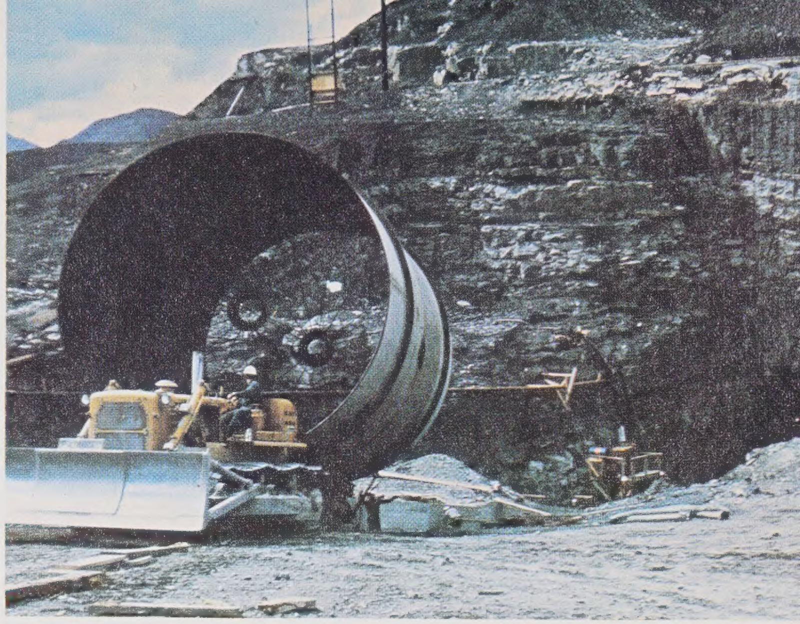
During the year the Company authorized the issuance of up to $10 million Secured Debentures Series A, with maturities from one to five years. At the year end, $9,334,000 of these securities were outstanding.

A 5½% loan with Williams & Glyn's Bank Limited secured with a $12 million First Mortgage Bond, due in 1982, was completed in August, 1970, for financing the purchase in the United Kingdom of machinery and equipment for the Sundance Steam Electric Plant and the Bighorn Storage and Power Development.

In November, 1970, the Company issued $20 million principal amount of 9⅜% Secured Sinking Fund Debentures, Series B, due in 1990. The net proceeds of the sale of these debentures were added to the general funds of the Company and applied to the reduction of its bank loan and short-term notes incurred in carrying out the Company's 1970 construction programme.

The Company negotiated a loan of $1,575,000 U.S. to bear interest at 6% per annum from the Export-





A section of steel liner entering 1,500 foot diversion tunnel at Bighorn.

Import Bank of the United States of America under date of December 3, 1970. The loan was secured by the issue of First Mortgage Bonds, due in 1982, for a principal amount of $1,600,000, and was for the purpose of financing steam boiler parts manufactured in the United States for the Sundance Steam Electric Plant.

Additional funds were provided by the issue of short-term promissory notes, outstanding in the amount of $11,437,000 at the end of 1970, at an average interest rate of about 6¼%.

WHITE PAPER ON TAX REFORM

In the 1969 Annual Report reference was made to the Federal Government's proposal in its White Paper on Tax Reform to disallow the tax credit to shareholders of electric and gas utility companies with respect to income taxes paid by these companies which are returned to the provincial governments under The Public Utilities Income Tax Transfer Act. Your Company, together with other investor-owned electric and gas utilities across Canada, submitted a joint brief to both the Senate and House of Commons Committees which had been appointed by Parliament to study and report upon the implications of the White Paper's proposals. This joint brief was heard by the House of Commons Committee on April 28, 1970. The Company also submitted a brief of its own to both the Senate and House of Commons Committees and this brief was also heard before the House of Commons Committee on April 28, 1970. During October, 1970, both Committees reported to Parliament and both recommended that shareholders of electric, gas and steam utilities should receive the same tax credit that would be available under the White Paper's proposals to shareholders of other Canadian tax-paying corporations. Your Directors are therefore hopeful that when final tax proposals are drafted, the White Paper's proposal with respect to electric and gas utilities will be amended so as to remove the discrimination against these companies and their shareholders.

EMPLOYEES

For the past number of years, the Company's Retirement Pension Plan has been of the "money purchase" type to which each employee member and the Company contributed the equivalent of 5% of each member's remuneration, less the contribution both were required to make under the Canada Pension Plan. Under a plan of this type, the level of pensions is based on the member's equity in the pension fund, arising from both the contributions to the fund and the earnings on such contributions. Consequently, the amount of pension can only be determined with certainty at the time of retirement.

In view of certain undesirable features of the existing plan, and to bring it more in line with current practices, a revised retirement pension plan was developed effective from January 1, 1970. The new plan is a "unit benefit" formula plan under which each employee's pension, when complemented by the Canada Pension Plan benefits, is related to his earnings prior to retirement and his years of service with the Company.

The Company's staff of 1,161 now includes 85 employees with 25 years or more of service. This group of employees has collectively over 2,700 years of experience with the Company.

Recently the Company completed new labour contracts for a two-year term to the end of 1972 with its employees that are covered by collective bargaining agreements.

OUTLOOK

While there are definite indications that the fight against inflation has reduced the rapid rate of price increases in some areas, unemployment continues to rise throughout the country, although the situation is more aggravated in some provinces than in others. In spite of these trends, wages and salaries in Alberta continue their upward climb and at inflationary rates, particularly in construction trades, which seriously affects the cost of all new construction. These increases also influence wage and salary levels in other phases of the Company's operations.

Alberta, in some respects, seems to be in a preferred economic position relative to the other provinces. What is apparently tending to become a serious fuel crisis in the United States has already resulted in increased export sales of Alberta natural gas and there seems little doubt it will eventually result in an increase in the delivery of western crude oil to American distributors. This will give further impetus to the oil and gas industry in Alberta and, in turn, will tend to increase industrial development, particularly in the petro-chemical field. Consequently, the Company's energy sales are expected to continue to increase at a higher than average rate for some time to come.

Long-Term Financing

Probably the most serious problem which has confronted the Company in the past year and continues to confront it is how best to finance the rapid growth of its power system. The Company's capital programme calls for the expenditure of very large sums during a period when interest rates on long-term debt are still at extremely high levels. Utility plant has a long life and should be financed over the long term insofar as this is possible. However, in view of the current situation, your Company will undoubtedly continue to find it advantageous to use lower cost short-term borrowings for part of its capital requirements in order to be able to take advantage of lower long-term interest rates if and when they become available. Regardless of how the capital is obtained, the high cost of money in this period of rapid expansion can only result in higher costs of doing business.

Rates for Electric Service

Many of the Company's rates for electric service were developed in a period prior to, and during, World War II. In the post-war period and, in fact, well into the sixties, the Company, by reason of its rapidly expanding business, was able to take advantage of major economies of scale with the emphasis on larger, more efficient generating plants and low-cost fuels, and as a consequence was able to offset the slower rate of inflation then prevailing, even to the extent of introducing rate reductions in certain categories of its load as late as 1966. However, because of accelerated inflation in costs and the sharp rise in interest rates which have occurred subsequent to 1966, and which are in large measure continuing to be experienced, it has not been possible to offset the effect of these increased costs on our operations. The result is that the Company now finds itself on the threshold of having inadequate income. In order to overcome this difficulty so that it will be possible for the Company to attract the large amounts of capital it will need to meet the requirements of its customers and still maintain its financial integrity, there would appear to be no alternative but to seek commensurate rate increases in most areas of its business. Much as it regrets the necessity of having to depart from a long history of successive rate reductions, the Company takes some comfort, in which its customers may share, from the fact that it will be among the last to increase rates, as practically every region in Canada and the United States has raised, or is in the process of raising, the price of electric service to meet present day costs.

Your Directors wish to express their sincere appreciation to all members of the staff for their good work on behalf of the Company in 1970, and particularly for their outstanding efforts in restoring service when severe storms paralyzed large areas of the Province on at least two occasions, causing major interruptions of supply to many of our customers.

Submitted on behalf of the Board of Directors,

A. W. HOWARD,
President.

February 19, 1971

FINANCIAL INFORMATION

CALGARY POWER LTD. CONSOLIDATED 10 YE

	1970	1969	1968
Financial Record (Thousands of Dollars)			
Gross revenue from operations			
Residential, general service and small industry	$ 15,042	14,033	14,041
Industry	18,776	16,389	14,412
Cities and towns under wholesale contracts	15,145	13,158	11,436
Farms	6,588	6,271	5,675
Total electrical	$ 55,551	49,851	45,564
Other revenue	1,297	1,202	929
Gross revenue from operations	$ 56,848	51,053	46,493
Operating deductions			
Operating expenses	$ 18,247	15,167	13,333
Taxes, other than taxes on income	2,597	2,442	2,126
Depreciation	10,900	9,500	8,500
Taxes on income	7,430	7,530	7,350
	$ 39,174	34,639	31,309
Operating income	$ 17,674	16,414	15,184
Income deductions			
Interest charges	$ 10,244	8,072	7,056
Interest charged to construction (credit)	(4,256)	(2,235)	(1,822)
	$ 5,988	5,837	5,234
Net income for the year	$ 11,686	10,577	9,950
Dividends on preferred shares	1,345	1,345	1,345
	$ 10,341	9,232	8,605
Appropriations to reserve for rate adjustments	—	—	—
Earnings applicable to common shareholders	$ 10,341	9,232	8,605
Earnings per common share (2)	$ 1.97	1.76	1.64
Dividends per common share	$ .85	.80	.80
Statistical Record			
KWH Sales (Millions)			
Residential, general service and small industry	636	597	608
Industry	1,957	1,735	1,441
Cities and towns under wholesale contracts	2,336	1,998	1,669
Farms	381	359	321
	5,310	4,689	4,039
Customers			
Served directly	139,925	135,161	140,244
Served indirectly through wholesale contracts	137,004	140,283	123,324
Generating capability (Net MW)			
Hydro	680	680	680
Thermal	855	569	569
Purchased	5	5	5
	1,540	1,254	1,254
Capitalization ratio			
Long term debt	59.7	56.2	55.9
Preferred shares	9.9	11.4	12.0
Common shareholders' equity	30.4	32.4	32.1
	100.0	100.0	100.0

Note: (1) Excluding income tax savings from the coal mining operation.
(2) 1965 and prior years adjusted to include interest charged to construction as income.

GROWTH SUMMARY

1967	1966	1965	1964	1963	1962	1961
3,046	12,169	11,921	11,207	10,550	10,358	9,627
2,195	11,547	10,906	9,975	9,380	8,737	8,169
0,537	9,319	9,350	8,389	7,594	7,118	6,305
5,406	4,988	4,822	4,302	3,950	3,952	3,503
1,184	38,023	36,999	33,873	31,474	30,165	27,604
746	717	673	685	598	516	516
1,930	38,740	37,672	34,558	32,072	30,681	28,120
2,877	10,828	9,541	8,952	8,763	7,507	6,742
1,948	1,823	1,688	1,493	1,280	995	718
7,400	6,900	6,400	5,800	5,500	5,101	4,802
6,660	5,210	6,270	5,730	5,940	6,470	6,299
8,885	24,761	23,899	21,975	21,483	20,073	18,561
3,045	13,979	13,773	12,583	10,589	10,608	9,559
5,753	5,612	4,875	4,419	3,906	3,445	2,717
2,432)	(1,564)	(828)	(1,175)	(593)	(1,600)	(685)
3,321	4,048	4,047	3,244	3,313	1,845	2,032
9,724	9,931	9,726	9,339	7,276	8,763	7,527
1,374	535	535	535	535	535	535
8,350	9,396	9,191	8,804	6,741	8,228	6,992
—	1,100	1,000	900	(250)	250	—
8,350	8,296	8,191	7,804	6,991	7,978	6,992
1.59	1.58(1)	1.56(1)	1.50(1)	1.33	1.52	1.33
.72½	.70	.65	.60	.60	.55	.40
555	508	475	426	376	343	308
1,219	1,148	1,039	931	861	794	715
1,510	1,347	1,186	1,045	942	877	780
303	277	257	223	200	187	165
3,587	3,280	2,957	2,625	2,379	2,201	1,968
6,837	133,517	131,970	129,695	125,086	121,211	116,004
6,724	113,744	110,866	107,353	103,392	98,823	94,321
680	490	490	325	325	325	325
283	283	283	283	283	283	136
11	11	11	16	16	26	26
974	784	784	624	624	634	487
54.4	52.8	58.9	58.4	58.3	56.9	56.2
13.0	14.2	7.0	7.6	8.2	9.1	10.2
32.6	33.0	34.1	34.0	33.5	34.0	33.6
100.0	100.0	100.0	100.0	100.0	100.0	100.0

ASSETS

	1970	1969
Property Account:		
Land, buildings, plant and equipment at cost (Note 2)	**$419,381,000**	$370,300,000
Less accumulated depreciation (Note 3)	**91,082,000**	81,046,000
	328,299,000	289,254,000
Investments:		
Wholly-owned subsidiary — Shares at cost (not consolidated) (Note 1)	**20,000**	20,000
Other	**146,000**	172,000
	166,000	192,000
Current:		
Cash	**377,000**	215,000
Accounts receivable	**6,691,000**	4,638,000
Materials and supplies at average cost	**2,534,000**	2,235,000
Prepaid expenses	**132,000**	219,000
	9,734,000	7,307,000
Deferred Charges:		
Financing costs less amortization	**1,042,000**	442,000
Deferred past service pension costs less amortization (Note 4)	**317,000**	422,000
	1,359,000	864,000
	$339,558,000	$297,617,000

(See accompanying notes)

BALANCE SHEET

December 31, 1970 and 1969

LIABILITIES

	1970	1969
Shareholders' Equity:		
Common shares	$ 6,040,000	$ 6,040,000
Earnings retained for use in the business	76,705,000	70,826,000
Total common shareholders' equity	82,745,000	76,866,000
Preferred shares	27,000,000	27,000,000
Total shareholders' equity	109,745,000	103,866,000
Long Term Debt	162,167,000	133,530,000
Current:		
Bank loan	2,700,000	10,480,000
Short term notes payable	11,437,000	3,175,000
Accounts payable and accrued charges	5,702,000	7,299,000
Income and other taxes payable	287,000	1,455,000
Dividends payable	1,649,000	1,386,000
Accrued interest on long term debt	1,803,000	1,287,000
Consumers' deposits	374,000	388,000
Current maturities of long term debt	2,249,000	1,330,000
	26,201,000	26,800,000
Deferred Credits and Other Items:		
Deferred income taxes (Note 5)	31,076,000	24,786,000
Contributions in aid of construction	7,369,000	5,635,000
Reserve for rate adjustments	3,000,000	3,000,000
	41,445,000	33,421,000
Commitments (Note 6)		
	$339,558,000	$297,617,000

On behalf of the Board:

(Sgd.) J. H. McLAUGHLIN, Director.

(Sgd.) G. H. THOMPSON, Director.

(See accompanying notes)

CONSOLIDATED STATEMENT OF INCOME

Years ended December 31, 1970 and 1969

	1970	1969
Gross revenue from operations	**$56,848,000**	$51,053,000
Operating deductions:		
Operating expenses	**18,247,000**	15,167,000
Taxes, other than taxes on income	**2,597,000**	2,442,000
Depreciation (Note 3)	**10,900,000**	9,500,000
Taxes on income including deferred portion (Note 5)	**7,430,000**	7,530,000
	39,174,000	34,639,000
Operating income	**17,674,000**	16,414,000
Income deductions:		
Interest on long term debt	**8,751,000**	7,730,000
Other interest (net)	**1,493,000**	342,000
Interest charged to construction (credit)	**(4,256,000)**	(2,235,000)
	5,988,000	5,837,000
Net income for the year	**11,686,000**	10,577,000
Deduct:		
Dividends —		
Preferred shares	**1,345,000**	1,345,000
Common shares	**4,462,000**	4,200,000
	5,807,000	5,545,000
Transferred to consolidated statement of earnings retained for use in the business	**$ 5,879,000**	$ 5,032,000
Earnings per share of common stock:		
On average shares actually outstanding	**$1.97**	$1.76
Assuming conversion of the 5.40% convertible preferred shares	**$1.92**	$1.73

(See accompanying notes)

CONSOLIDATED STATEMENT OF EARNINGS RETAINED FOR USE IN THE BUSINESS

Years ended December 31, 1970 and 1969

	1970	1969
Balance at beginning of year	**$70,826,000**	$65,794,000
Transferred from consolidated statement of income	**5,879,000**	5,032,000
Balance at end of year	**$76,705,000**	$70,826,000

(See accompanying notes)

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Years ended December 31, 1970 and 1969

	1970	1969
Source of Funds		
From operations:		
Net income for the year	**$11,686,000**	$10,577,000
Add items not involving funds —		
Depreciation	**10,900,000**	9,500,000
Deferred income taxes	**6,290,000**	3,557,000
	28,876,000	23,634,000
Proceeds from issue of Long Term Debt:		
First Mortgage Bonds	—	4,959,000
Notes Payable — Secured	**837,000**	4,778,000
Notes Payable — Other	**710,000**	1,300,000
Secured Debentures — Series A	**9,334,000**	—
Secured Debentures — Series B	**20,000,000**	—
Proceeds from sale of fixed assets	—	3,475,000
Other	**1,089,000**	822,000
	$60,846,000	$38,968,000
Application of Funds		
Capital expenditures:		
Production	**$33,795,000**	$29,757,000
Transmission	**4,604,000**	2,281,000
Substations	**2,691,000**	2,040,000
Distribution	**6,510,000**	5,176,000
Other	**2,345,000**	1,613,000
	49,945,000	40,867,000
Dividends:		
Preferred shares	**1,345,000**	1,345,000
Common shares	**4,462,000**	4,200,000
Reduction of Long Term Debt	**2,068,000**	1,186,000
Decrease (increase) in working capital deficiency	**3,026,000**	(8,630,000)
(See accompanying notes)	**$60,846,000**	$38,968,000

AUDITORS' REPORT

To the Shareholders,
Calgary Power Ltd.

We have examined the consolidated balance sheet of Calgary Power Ltd. and its principal wholly-owned subsidiary companies and the statements of long term debt and capital stock as at December 31, 1970 and the consolidated statements of income and earnings retained for use in the business and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the companies as at December 31, 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Canada.
February 12, 1971.

(Sgd.) CLARKSON, GORDON & CO.,
Chartered Accountants.

STATEMENT OF LONG TERM DEBT

December 31, 1970 and 1969

	1970	1969
First Mortgage Bonds	$113,707,000	$115,032,000
Notes Payable — Secured	5,615,000	4,778,000
Secured Debentures	29,334,000	-
Notes Payable — Other	15,760,000	15,050,000
	164,416,000	134,860,000
Deduct Current Maturities	2,249,000	1,330,000
	$162,167,000	$133,530,000

First Mortgage Bonds

	1970	1969
3¼% Series due 1972	$ 6,335,000	$ 6,335,000
3½% Series due 1972	4,310,000	4,310,000
3⅝% Series due 1972	4,745,000	4,745,000
4⅛% Series due 1972	4,875,000	5,225,000
4⅞% Series due 1972	3,880,000	3,880,000
7¾% Series due 1973	1,000,000	1,000,000
7¾% Series due 1974	1,000,000	1,000,000
7¾% Series due 1975	3,000,000	3,000,000
4½% Series due 1976	3,300,000	3,800,000
7¾% Series due 1976	3,000,000	3,000,000
8¼% Series due 1976	2,500,000	2,500,000
5½% Series due 1977	6,997,000	7,472,000
8¼% Series due 1977	2,500,000	2,500,000
5½% Series due 1978	3,700,000	3,700,000
4 % Series due 1979	3,165,000	3,165,000
5¾% Series due 1981	9,400,000	9,400,000
5¾% Series due 1982	8,000,000	8,000,000
5¾% Series due 1983	9,000,000	9,000,000
5⅝% Series due 1984	7,000,000	7,000,000
6 % Series due 1985	9,000,000	9,000,000
7½% Series due 1988	12,000,000	12,000,000
7⅞% Series due 1989	5,000,000	5,000,000
	$113,707,000	$115,032,000

The First Mortgage Bonds are secured by a first and specific mortgage and charge upon certain of the Company's lands, buildings, plant and equipment and by a first floating charge upon all other assets situated in the Province of Alberta.

The Trust Deed securing the issues provides for a sinking fund for the retirement of First Mortgage Bonds payable on September 1 each year of 1% of the original principal amount of First Mortgage Bonds previously issued.

Notes Payable — Secured	1970	1969
5½% due 1971	£ 304,512	£ 304,512
5½% due 1972	304,512	304,512
5½% due 1973	304,512	304,512
5½% due 1974	304,512	304,512
5½% due 1975	304,512	304,512
5½% due 1976	304,512	304,512
5½% due 1977	304,512	27,256
5½% due 1978	52,250	—
	£2,183,834	£1,854,328
	$5,615,000	$4,778,000

These notes, secured by a $6,000,000 First Mortgage Bond 5½% Series due 1978, are payable in Sterling and have been converted to Canadian funds at the rate of exchange prevailing at the date of issue.

Pursuant to agreements to finance the purchase of machinery and equipment for the Sundance Steam Electric Plant and the Bighorn Storage and Power Development, the Company has issued a $12,000,000 First Mortgage Bond of the Series due 1982 and a $1,600,000 U.S. First Mortgage Bond 6% Series due 1982 as collateral security for additional Notes Payable — Secured. As no funds have been borrowed at December 31, 1970 under these agreements, no balance is outstanding on such notes.

(See accompanying notes)

Secured Debentures	1970	1969
Series A — Maturing one to five years at interest rates varying from 7% to 9½%		
Due 1971	$ 1,150,000	—
Due 1972	321,000	—
Due 1973	656,000	—
Due 1974	121,000	—
Due 1975	7,086,000	—
	9,334,000	—
Series B — 9⅜% Due 1990	20,000,000	—
	$29,334,000	—

The Debentures are secured by a floating charge on the property and assets of the Company subject to the first and specific mortgage and charge and first floating charge securing the First Mortgage Bonds.

The Series A Debentures are offered on a continuing basis with maturing debentures being reissued. Accordingly, since debentures maturing in 1971 will not be met by current funds, they are not included in current maturities of long term debt.

Notes Payable — Other	1970	1969
1971	$ —	$ 2,700,000
1972	2,650,000	2,650,000
1973	3,400,000	3,400,000
1974	2,750,000	2,750,000
1975	3,550,000	3,550,000
1976	3,410,000	—
	$15,760,000	$15,050,000

These notes, which are unsecured and have no authorized limit are payable to Farm Electric Services Ltd., bear interest at the prevailing prime bank interest rate (7½% at December 31, 1970) and mature December 31st in each year.

The above notes represent a portion of funds contributed by members of Rural Electrification Co-operative Associations which have been invested, with the approval of the Alberta Supervisor of Co-operative Activities, for their account by Farm Electric Services Ltd. as their agent.

Annual Requirements

The annual requirement for sinking fund and to meet maturing issues of currently outstanding long term debt for each of the following five years is:

Year ended	Annual Requirement	
December 31	Sinking Fund	Maturing Issues
1971	$1,466,000	$ 1,933,000
1972	1,236,000	27,899,000
1973	1,126,000	5,839,000
1974	1,316,000	4,654,000
1975	1,286,000	14,419,000

The requirement shown for maturing issues will be reduced to the extent of purchases of these issues for sinking fund purposes and includes the amount of maturing Series A Secured Debentures.

STATEMENT OF CAPITAL STOCK

December 31, 1970 and 1969

Common shares of no par value		
Authorized — 7,500,000 shares		
Issued — 5,250,000 shares	$ 6,040,000	$ 6,040,000
Preferred shares of $100 each		
Authorized — 600,000 shares		
Issued — cumulative redeemable preferred shares		
50,000 4% Series	$ 5,000,000	$ 5,000,000
30,000 4½% Series	3,000,000	3,000,000
40,000 5% Series	4,000,000	4,000,000
150,000 5.40% Series (convertible)	15,000,000	15,000,000
	$27,000,000	$27,000,000

The 5.40% cumulative redeemable convertible preferred shares are convertible into common shares on the following basis: 3⅔ common shares for each preferred share converted at any time up to and including November 30, 1971; and thereafter 3 common shares for each preferred share converted at any time up to and including November 30, 1976. Five hundred and fifty thousand (550,000) common shares have been reserved for such conversion.

The preferred shares are redeemable only at the option of the Company on the following basis: 4% Series and 4½% Series at $103 per share; 5% Series at $103 per share to October 1, 1973 and at par thereafter; 5.40% Series at $105 per share to November 30, 1971, at $102.50 per share to November 30, 1976 and at par thereafter.

(See accompanying notes)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1970

1 **Principles of Consolidation**

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, The Alberta Southern Coal Company Ltd. and The Calgary Water Power Company, Limited, both of which are inactive, and Kanelk Transmission Company Limited, which owns a transmission line extending from the Company's hydro-electric plants on the Kananaskis River near the British Columbia border through British Columbia to the Crowsnest Pass in southern Alberta. The other wholly-owned subsidiary, Farm Electric Services Ltd., is not consolidated as it is a non-profit organization which organizes, constructs, operates and maintains, at cost, electric distribution systems owned by famers' co-operative associations. The shares of Farm Electric Services Ltd. are shown as an investment at their cost to the Company.

2 **Property Account**

The land, buildings, plant and equipment, including property under construction of $20,023,000 ($41,468,000 as at December 31, 1969) is carried at cost as defined in the regulations issued under the Dominion Water Power Act and the Alberta Water Resources Act, and has been agreed to and fixed by the Alberta Minister of Water Resources to December 31, 1969 pursuant to the applicable statutes and regulations.

3 **Depreciation**

The companies provide for depreciation in amounts approximately equivalent to the amounts which would be provided on a straight line basis using a composite rate of 3%. This basis was derived from a comprehensive study of properties, plant and equipment and the related accumulated depreciation which was completed in 1964 and which included depreciation calculations on a sinking fund basis (recognizing loss in value as a result of physical, functional and other causes) applied to costs adjusted for variation in the purchasing power of the dollar year by year and also on a straight line basis applied to actual costs.

4 **Pension Plan**

Effective January 1, 1970, the Company's pension plan has been revised to a "Formula Plan" under which an employee's pension benefit is related to years of service and salary prior to retirement. As at January 1, 1970 an unfunded past service obligation estimated at approximately $1,795,000 existed mainly in respect to projected future salary growth. Based on actuarial advice, this amount is being funded and charged to operations in annual amounts of $164,000 over a period of 20 years. Past service pension costs for service prior to 1943 have been fully funded and a special payment made for this purpose in 1965 is being amortized against income in approximate annual amounts of $105,000.

5 **Income Taxes**

Included in taxes on income for the year is an amount of $4,170,000 representing income taxes otherwise payable in respect of the year, payment of which has been deferred as a result of the companies claiming, for tax purposes, depreciation and other expenses in amounts greater than those charged in the accounts. Also, as a result of reassessments and other adjustments of prior years' income taxes, deferred income taxes have been increased and income taxes payable decreased by $2,120,000.

6 **Commitments**

The Company, in the normal course of business, anticipates incurring substantial capital expenditures for the future expansion of its system.

7 **Directors and Officers**

The Board of Directors consists of nine directors of whom three are officers of the Company. The aggregate remuneration paid during 1970 by the Company to the directors, as directors was $7,700 and to the eight officers as officers was $88,200.

CORPORATE INFORMATION

Head Office

110 - 12th Avenue South West, Calgary, Alberta

Transfer Agents

For Preferred Shares:
CROWN TRUST COMPANY, Calgary, Montreal, Toronto, Vancouver
Montreal Trust Company, Regina, as Agent of Crown Trust Company

For Common Shares:
MONTREAL TRUST COMPANY, Calgary, Montreal, Toronto, Winnipeg, Regina, Vancouver

For Bonds:
MONTREAL TRUST COMPANY, Montreal, Toronto

Registrars

For Preferred Shares:
THE ROYAL TRUST COMPANY, Calgary, Montreal, Toronto, Regina, Vancouver

For Common Shares:
MONTREAL TRUST COMPANY, Calgary, Montreal, Toronto, Winnipeg, Regina, Vancouver

For Bonds:
MONTREAL TRUST COMPANY, Montreal, Toronto, Calgary

Trustee for Bond Issues

MONTREAL TRUST COMPANY, Montreal

Auditors

CLARKSON, GORDON & CO., Chartered Accountants, Calgary

Solicitors

SAUCIER, JONES, BLACK, GAIN, STRATTON & LAYCRAFT, Calgary

DUNCAN & BOWEN, Edmonton

Photographs on cover, pages two and three, courtesy of The Government of Alberta, Publicity Bureau.


A L B E R T A
Fort McMurray
Grande Prairie
Lesser Slave Lake
Athabasca
Lac la Biche
Whitecourt
Hinton
Wabamun
EDMONTON
Sundance
Big Bend
Jasper
Camrose
Wainwright
Red Deer
Bighorn
BRITISH
COLUMBIA
SASKATCHEWAN
Banff
CALGARY
Fort Macleod
Lethbridge
Medicine Hat
Blairmore
U.S.A.
Legend
CALGARY POWER LTD.
MAIN SYSTEM POWER LINES
OTHER POWER LINES
HYDRO POWER PLANTS
THERMAL POWER PLANTS
CITIES AND TOWNS

SUNDANCE STEAM ELECTRIC PLANT

This aerial view of your Company's newest power plant, the Sundance Steam Electric Plant, located on the south shore of Lake Wabamun, gives a good picture of all the basic elements required for the thermal production of electric energy. First, the basic energy source, coal, then the water required in the production of high pressure steam to drive the turbines, as well as cool the condensers, and finally the power house enclosing the steam and electric generating equipment that completes the transformation of a raw natural resource into electric energy.

1. Inlet Canal
2. Discharge Canal
3. Pump House
4. Substation
5. Office, Plant Control Centre and Laboratory
6. Turbine House
7. Boiler House
8. Stack, 510 Feet High
9. Frozen Coal Crusher
10. Coal Conveyor
11. Coal Reclaim Hoppers
12. Coal Plant Control Centre and Crusher House
13. Walking Dragline With 240 Foot Boom and 30 Cubic Yard Bucket
14. Strip Mine
15. Operators' Townsite
16. Construction Camp